

DUCKET FILE COPY ORIGINAL

BELLSOUTH

Robert T. Blau, Ph.D, CFA
Vice President - Executive and
Federal Regulatory Affairs

Suite 900
1133-21st Street, N.W.
Washington, D.C. 20036-3351
202 463-4108
Fax: 202 463-4631

December 22, 1997

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
Washington, DC 20554

EX PARTE OR LATE FILED

RECEIVED

DEC 22 1997

Re: ⁹⁷Ex Parte in CC Docket ~~96~~-208

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

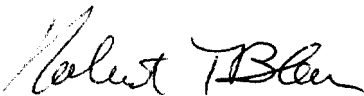
Dear Ms. Salas:

This is to inform you that on December 18, 1997, F. Duane Ackerman, BellSouth's Chief Executive Officer, sent the attached letter regarding the above-referenced proceeding to Chairman Kennard. Copies were sent to all of the Commissioners and their legal staff.

The purpose of the letter was to discuss issues relating to Section 271 petitions raised during an ex parte meeting. In particular, the letter addressed the issue of deaveraging charges for unbundled network elements and its potential impact on local rural and residential rates. The letter was consistent with BellSouth's position already filed in this proceeding.

Pursuant to Section 1.1206(a)(2) of the Commission's rules, two copies of this notice are being filed with the FCC. Please associate this notification with the above-referenced proceeding.

Sincerely,



Robert T. Blau
Attachment

cc: Chairman Kennard
Commissioner Furchtgott-Roth
Commissioner Ness
Commissioner Powell
Commissioner Tristani
Tom Power
Kevin Martin
James Casserly
Kyle Dixon
Paul Gallant

021

BellSouth Corporation
Suite 2000
1155 Peachtree Street, N.E.
Atlanta, Georgia 30309-3610

F. Duane Ackerman
President and
Chief Executive Officer

404 249-4020

December 18, 1997

The Honorable William E. Kennard
Chairman
Federal Communications Commission
1919 M Street, N.W.
Washington, DC 20554

Dear Chairman Kennard:

I want to thank you for seeing us on Wednesday regarding our Section 271 petition for South Carolina. The interest that you and your staff have expressed in streamlining procedures that the Commission will follow in reviewing future petitions is certainly welcomed.

We hope that the South Carolina order will give us some reason to sit down with the Commission staff and work through any concerns that the Commission might have with our subsequent petitions before they are filed. We would only ask that the Commission's staff commit to concluding such discussions within a month of their getting underway.

If this process is to go forward, the Commission will need to avoid conditioning BellSouth's entry into long distance markets on our satisfying requirements that are either beyond the Commission's jurisdiction or beyond our control. Deaveraging charges for unbundled network elements as a condition precedent for entry falls into both categories.

We understand, as local exchange markets become more competitive, the need to bring all rates – wholesale as well as retail – in line with underlying costs. However, the virtually unavoidable result of deaveraging UNE prices at the present time would be to raise local rural and residential rates. Moving all rates to costs promises to be very difficult and time-consuming. The state commissions will be hard-pressed to explain that the "benefit" of competition is a price increase.

Honorable William E. Kennard

Page 2

Most of the state commissions in our service territory are elected, and they have resisted any action that would result in basic residential rate increases. They also, with some justification, tend to view rate deaveraging proposals as a means of giving large business users, such as a major interstate bank headquartered in Atlanta, Charlotte, or Columbia, an even larger break on its telecommunications rates at the expense of raising rates for residential and small business customers in high cost rural areas where incomes tend to be below par.

While such attitudes may change as the realities of competition become better understood, that process will no doubt take time. It also will require Federal and state regulators to put a universal service mechanism in place that will keep rates in high cost areas widely affordable.

Given all of this, we are extremely concerned that conditioning approval of our Section 271 petitions on our state commissions agreeing to deaverage UNE rates will only serve to delay our entry into long distance well beyond the date when our local markets are open to competition. Whatever the Commission's legal authority to impose such a condition, it also will do little to promote local residential competition since resale discounts will remain larger than the effective discounts on UNEs in virtually all markets. Indeed, conditioning approval on any contested state proceeding merely allows AT&T and others to delay our entry further.

We will be in touch with the Commission's staff in the next few days to determine how we will proceed. We look forward to working with you and your colleagues on this matter.

Sincerely yours,

A handwritten signature in cursive script, reading "Ruane Asherman". The signature is written in dark ink and is positioned below the "Sincerely yours," text.